

NEWS RELEASE

Cardiff Lexington Announces First Quarter 2024 Financial Results

5/13/2024

- Company Reports Sequential Revenue Growth of 12% Over Q4 2023 and Strong Gross Margins of 64% -

FT. LAUDERDALE, FL / ACCESSWIRE / May 13, 2024 / Cardiff Lexington Corporation (OTC PINK:CDIX) announced today financial results for its first quarter ended March 31, 2024.

First Quarter 2024 Financial Highlights

- 1Q24 revenue of \$2.7 million was consistent with revenue of \$2.7 million in 1Q23; 1Q24 revenue increased sequentially by 12% compared to \$2.4 million in 4Q23.
- 64% gross profit margin in 1Q24 was consistent with gross margin of 65% percent in 1Q23; 1Q24 gross profit margin increased 530 basis points sequentially compared to 59% in 4Q23.
- 1Q24 operating income was \$219,000, or 8% of sales, which compares to \$758,000, or 28% of sales in 1Q23. The decrease in operating income in 1Q24 is primarily related to scaling expenses of approximately \$302,000 associated with the planned uplisting to a major U.S. exchange and capital raise, and stock compensation expense of \$94,000 as the Company continues to strengthen its management team and board of directors to support the anticipated growth of the business. Excluding these non-cash scaling expenses, 1Q24 operating income would have been approximately \$615,000, representing a sequential increase of approximately 48% over 4Q23.
- 1Q24 adjusted EBITDA of \$522,000 increased sequentially by 8% from \$484,000.

Balance Sheet Highlights at March 31, 2024

- 9% increase in total assets to \$22.6 million compared to \$20.7 million at December 31, 2023

- 65% increase in shareholders' equity to \$1.2 million compared to shareholders' equity of \$731,000 at December 31, 2023
- Improved net working capital of \$915,000 at March 31, 2024, as compared to \$317,000 at December 31, 2023

Alex Cunningham, Chief Executive Officer of Cardiff Lexington, commented, "On the heels of a very strong 2023, we delivered a solid first quarter of 2024 highlighted by a 12% sequential increase in revenue to \$2.7 million and strong gross margins of 64%. A key initiative during the quarter was making strategic investments in the business to prepare for the next stage of our growth and to that end we recognized several one-time, non-cash non-recurring expenses. Excluding these investments, our operating income in the quarter increased sequentially by 48% compared to the fourth quarter of 2023. Additionally, we remain intently focused on populating unrestricted common shares and reducing or eliminating preferred share classes to exceed qualifications to uplist to a major U.S. exchange. This uplist is in support of the long-term growth of our proven model, and we continue to make daily progress towards this goal."

Mr. Cunningham continued, "Our focus in 2024 is to build off the success that we experienced in 2023. We delivered a strong start to the year and are encouraged by the many opportunities that we're seeing in the market to continue expanding our Nova Ortho and Spine footprint into the broader southeast United States, and eventually, nationwide. We're entering a pivotal stage in our growth strategy and believe that Cardiff Lexington is ideally positioned to drive long-term growth and enhanced value for our shareholders."

About Cardiff Lexington Corporation:

Cardiff Lexington Corporation is a holding company focused on locating, acquiring, and building middle market, niche companies, primarily in the healthcare industry. Fundamental to the Cardiff Lexington strategy is the service-based partnership culture which emphasizes core values, teamwork, accountability, and performance.

A substantial majority of the Company's revenue is derived from Nova Ortho and Spine, PLLC, which operates a group of regional primary specialty and ancillary care facilities throughout Florida that provide traumatic injury victims with a full range of diagnostic and surgical services, primary care evaluations, interventional pain management, and specialty consultation services.

For more information on Cardiff Lexington Corporation, you may access the company's website at <https://cardifflexington.com/>

FORWARD LOOKING STATEMENT: This news release contains forward looking statements within the meaning of the

Securities Litigation Reform Act. The statements reflect the Company's current views with respect to future events that involve risks and uncertainties. These risks include the failure to meet schedule or performance requirements of the Company's business, the Company's liquidity position, the Company's ability to obtain new business, the emergence of competitors with greater financial resources, and the impact of competitive pricing. In the light of these uncertainties the forward-looking events referred to in this release might not occur.

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CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE AND TWELVE MONTHS ENDED DECEMBER 31, 2023 AND 2022
 (UNAUDITED)

	For the Three Months Ended	
	<u>March 31,</u> <u>2024</u>	<u>March 31,</u> <u>2023</u>
Total revenue	\$ <u>2,661,966</u>	\$ <u>2,706,399</u>
Total cost of sales	<u>948,154</u>	<u>956,295</u>
Gross profit	1,713,812	1,750,104
Operating expenses		
Depreciation expense	3,365	4,635
Selling, general and administrative	1,191,230	987,921
Stock compensation expense	<u>300,225</u>	<u>0</u>
Total operating expenses	1,494,820	992,556
Income from continuing operations	218,992	757,548
Other income (expense):		
Other income (expense)	0	205
Gain on debt refinance and forgiveness	0	390

Penalties and fees	(1,000)	(17,000)
Interest expense	(376,269)	(693,661)
Amortization of debt discounts	<u>(13,515)</u>	<u>(17,983)</u>
Total other income (expense)	<u>(390,784)</u>	<u>(728,049)</u>
Net income (loss) before discontinued operations	(171,792)	29,499
Loss from discontinued operations	(111,312)	(45,490)
Income (Loss) from disposal of discontinued operations	<u>0</u>	<u>0</u>
Net income (loss)	<u><u>\$ (283,104)</u></u>	<u><u>\$ (15,991)</u></u>

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND DECEMBER 31, 2022
(UNAUDITED)

	March 31, 2024	December 31, 2023
ASSETS		
Current assets		
Cash	\$ 1,253,552	\$ 866,943
Accounts receivable-net	14,649,930	13,305,254
Prepaid and other current assets	7,100	5,000
Total current assets	<u>15,910,582</u>	<u>14,177,197</u>
Property and equipment, net	31,296	34,661
Land	540,000	540,000
Goodwill	5,666,608	5,666,608
Right of use - assets	416,441	289,062
Due from related party	4,979	4,979
Other assets	35,404	33,304
Total assets	<u><u>\$ 22,605,310</u></u>	<u><u>\$ 20,745,811</u></u>

LIABILITIES, MEZZANINE EQUITY AND DEFICIENCY IN STOCKHOLDERS' EQUITY

Current liabilities

Accounts payable and accrued expense	\$ 2,104,109	\$ 2,047,131
Accrued expenses - related parties	4,323,057	4,733,057
Accrued interest	668,729	620,963
Right of use - liability	195,934	157,669
Due to director and officer	45,844	120,997
Notes payable	3,599,345	2,136,077
Convertible notes payable, net of debt discounts of \$24,820 and \$46,797, respectively	3,820,545	3,807,030
Net liabilities of discontinued operations	237,643	237,643
Total current liabilities	14,995,206	13,860,567

Other liabilities

Notes payable	144,511	144,666
Operating lease liability - long term	213,958	119,056
Total liabilities	15,353,675	14,124,289

Mezzanine equity

Redeemable Series N Senior Convertible Preferred Stock - 3,000,000 shares authorized, \$0.001 par value, stated value \$4.00, 868,056 shares issued and outstanding at March 31, 2024 and December 31, 2023	3,996,462	3,891,439
Redeemable Series R Senior Convertible Preferred Stock - 5,000 shares authorized, \$0.001 par value, stated value of \$1,200, 165 shares issued and outstanding at March 31, 2024 and December 31, 2023	317,194	307,980
Redeemable Series X Senior Convertible Preferred Stock - 5,000,000 shares authorized, \$0.001 par value, stated value of \$4.00 par value; 375,000 shares issued and outstanding at March 31, 2024 and December 31, 2023	1,728,082	1,690,685
Total Mezzanine Equity	6,041,738	5,890,104

Stockholders' equity

Series B Preferred Stock - 3,000,000 shares authorized, \$0.001 par value, stated value of \$4.00, 1,360,679 and 2,139,478 shares issued and outstanding at March 31, 2024 and December 31, 2023	5,442,716	8,557,912
Series C Preferred Stock - 500 shares authorized, \$0.001 par value, stated value of \$4.00, 99 and 123 shares issued and outstanding at March 31, 2024 and December 31, 2023	396	492
Series E Preferred Stock - 1,000,000 shares authorized, \$0.001 par value, stated value	623,000	623,000

\$4.00, 155,750 shares issued and outstanding at March 31, 2024 and December 31, 2023

Series F-1 Preferred Stock - 50,000 shares authorized, \$0.001 par value, stated value \$4.00, 35,752 shares issued and outstanding at March 31, 2024 and December 31, 2023	143,008	143,008
Series I Preferred Stock - 15,000,000 shares authorized, \$0.001 par value, stated value \$4.00, 12,089,000 and 14,885,000 issued and outstanding at March 31, 2024 and December 31, 2023	48,356,000	59,540,000
Series J Preferred Stock - 2,000,000 shares authorized, \$0.001 par value, stated value \$4.00, 171,359 and 1,713,584 shares issued and outstanding at March 31, 2024 and December 31, 2023	685,436	6,854,336
Series L Preferred Stock - 400,000 shares authorized, \$0.001 par value, stated value \$4.00, 319,493 shares issued and outstanding at March 31, 2024 and December 31, 2023	1,277,972	1,277,972
Common Stock - 300,000,000 shares authorized, \$0.001 par value; 10,819,995 and 25,121 shares issued and outstanding at March 31, 2024 and December 31, 2023	10,820	25
Additional paid-in capital	13,789,402	(7,581,212)
Accumulated deficit	(69,118,853)	(68,684,115)
Total stockholders' equity	<u>1,209,897</u>	<u>731,418</u>
Total liabilities, mezzanine equity and stockholders' equity	<u>\$ 22,605,310</u>	<u>\$ 20,745,811</u>

CARDIFF LEXINGTON CORPORATION AND SUBSIDIARIES

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND MARCH 31, 2023 (UNAUDITED)

The following table reconciles Net income (loss) before discontinued operations (a GAAP measure) to EBITDA (a non-GAAP measure)

	For the Three Months Ended	
	March 31,	
	2024	2023
<u>EBITDA (1)</u>		
Net income (loss) before discontinued operations	\$ (171,792)	\$ 29,499
Add:		
Interest	376,269	693,661
Taxes	0	0
Depreciation	3,365	4,635
Amortization	<u>13,515</u>	<u>17,983</u>

EBITDA (1)	\$ 221,357	\$ 745,778
<u>Adjusted EBITDA (2)</u>		
EBITDA	\$ 221,357	\$ 745,778
Add:		
Stock compensation expense for shares issued	300,225	0
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Adjusted EBITDA (2)	\$ 521,582	\$ 745,778

(1) EBITDA is a non-GAAP financial measure defined as Earnings Before Interest, Income Tax, Depreciation and Amortization.

(2) Adjusted EBITDA is a non-GAAP financial measure that is the sum of EBITDA plus non-recurring and non-cash charges.

SOURCE: Cardiff Lexington Corporation

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